JO-ANN
fabric and craft stores®

december 2010

Investor Presentation

Forward Looking Statement

This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Securities Litigation Reform Act of 1995. Terms such as "expect," "believe," "continue," and "grow," as well as similar comments, are forward-looking in nature. Although the Company believes its plans are based upon reasonable assumptions, it can give no assurances that such expectations can be attained. Factors that could cause actual results to differ materially from the Company's expectations include: general business and economic conditions, competitive factors, raw materials purchasing, and fluctuations in demand. Please refer to the Company's Securities and Exchange Commission filings for further information.

History

1943 – Founded as Cleveland Fabric Shop

1976 – Listed on the NYSE

1994 – Acquired 342 Clothworld stores

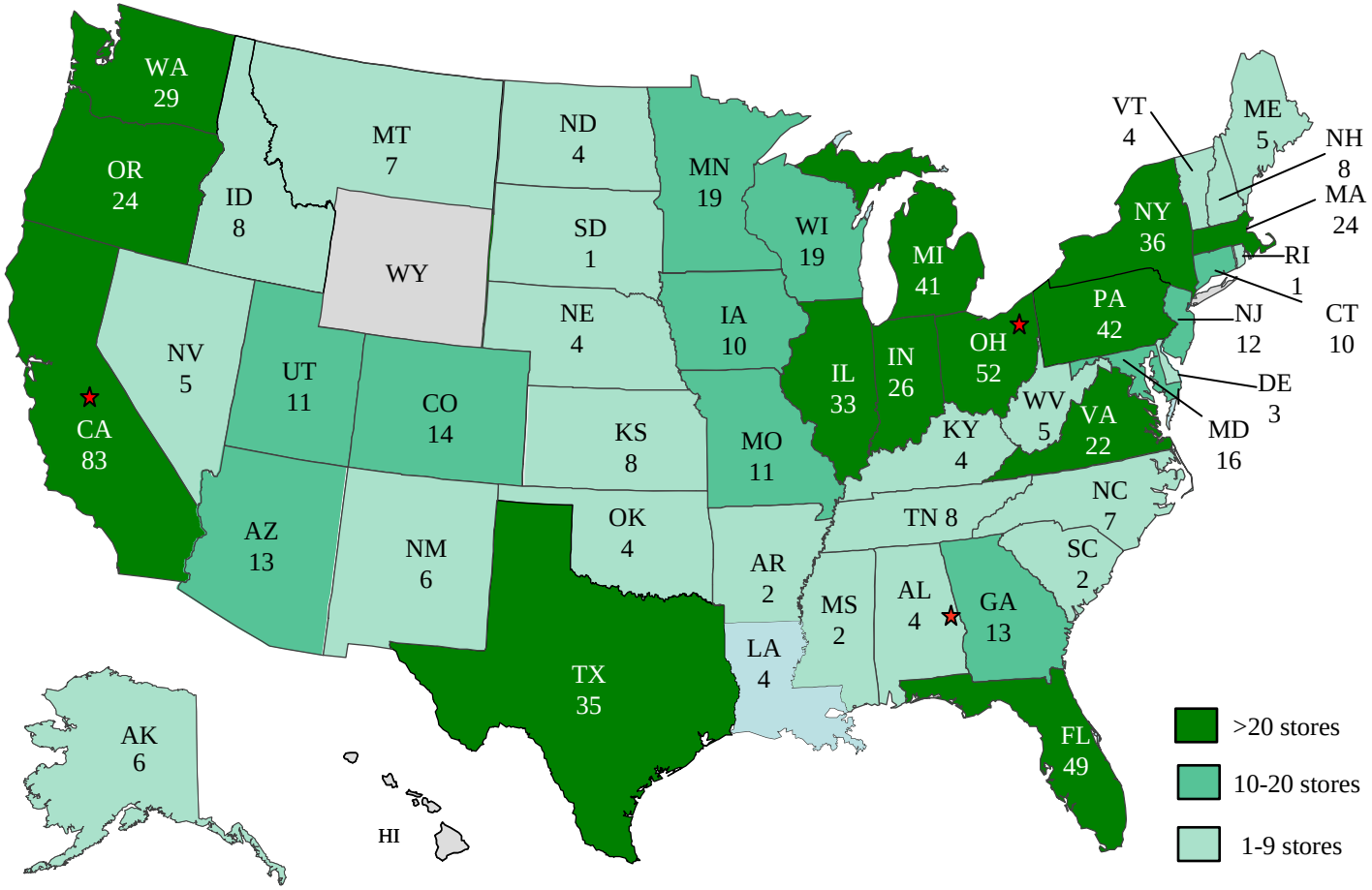
1995 – First large-format store

1998 – Acquired 261 House of Fabrics stores

2007 – Acquired Joann.com

Today – Leading specialty retailer of sewing and craft products in the U.S.

Overview



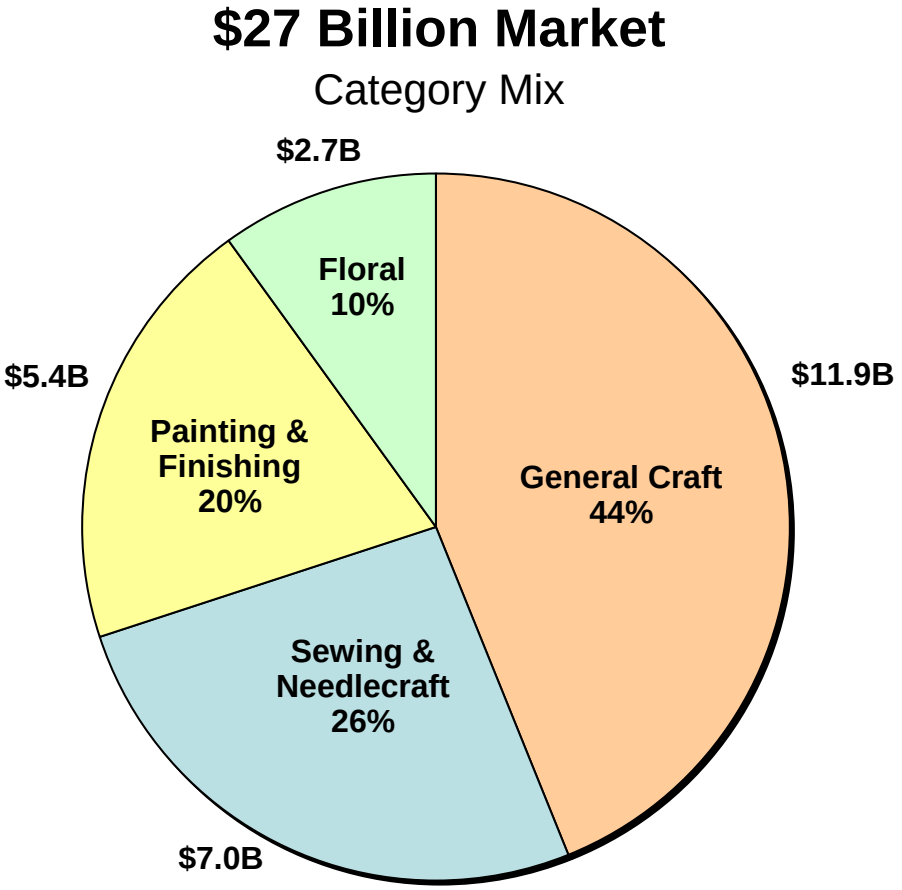
- **National Presence**
  - 756 stores
  - 48 states
- **234 large-format**
  - 54% of revenues
  - 35,900 sq. ft. avg.
- **522 small-format**
  - 44% of revenues
  - 14,900 sq. ft. avg.
- **Joann.com**
  - 2% of revenues

★ **Distribution Center**

*As of 10/30/10

Industry

- Sewing and craft market is roughly $27 billion with relatively flat volume the past three years
- Craft segment is approximately $20 billion and has historically grown at a faster rate than sewing
- JAS share of the total industry last year was 7.4%; with a 16.6% share among specialty retailers



* Source: CHA Attitude and Usage Study – December 2009

Competition

Fragmented market provides opportunity to capture share

Discounters 20% (-2%)

Specialty 43% (+5%)

Other 37% (-3%)

Quilt Shops	Catalogs	Art Stores
Fabric Stores	Internet	Craft Stores

*Source: CHA Attitude and Usage Study – December 2009
Parentheses represent change vs. last year

Customer

- 56% of U.S. households sew or craft
- Favorable demographics:
  - Women of baby boom generation
  - College educated
  - Higher than average income
- Enjoys purchasing sewing and craft merchandise at one store
- Over 50% of purchases used to make handicrafts for gift giving

* Source: CHA Attitude and Usage Study – December 2009, SIRS research and JAS data

Customer

- Consumers have been changed by the economic crisis
- Value systems shifting from conspicuous consumption
- Consumers aspiring to a cost-effective “life-better-lived”
- Emphasis on thoughtful purchases and products which are customized, hand-crafted and eco-friendly
- Recession has caused lasting behavioral change
- JAS positioned to benefit from shift in consumer behavior

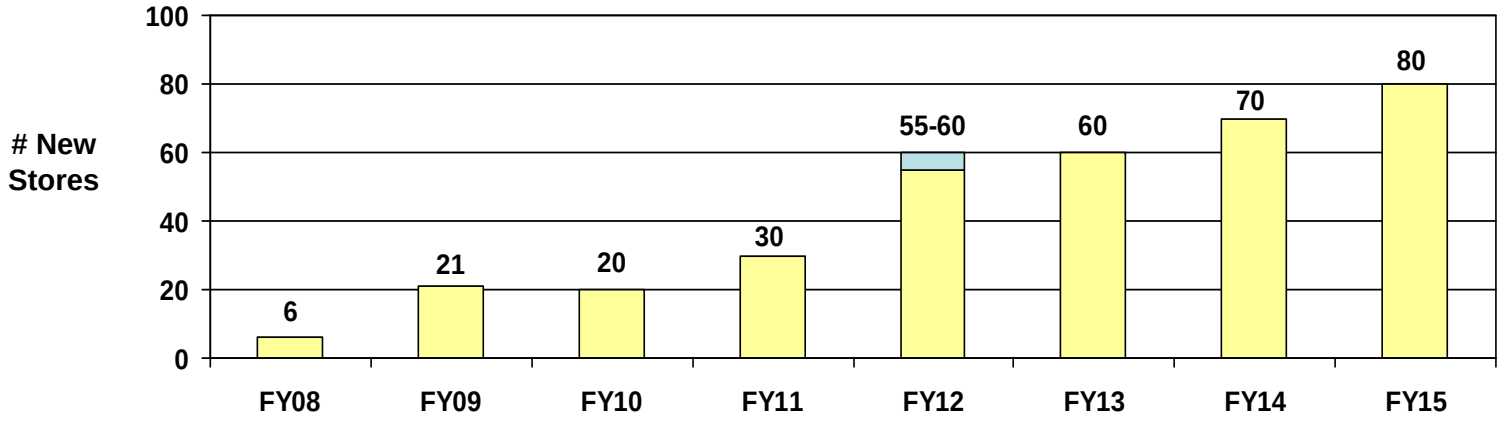
* Source: Wall Street Journal 12/17/2009

Operating Priorities

- Accelerate new store growth
- Accelerate remodel activity
- Drive same-store sales
- Expand gross margin
- Invest in management training
- Enhance technology

Accelerate New Store Growth

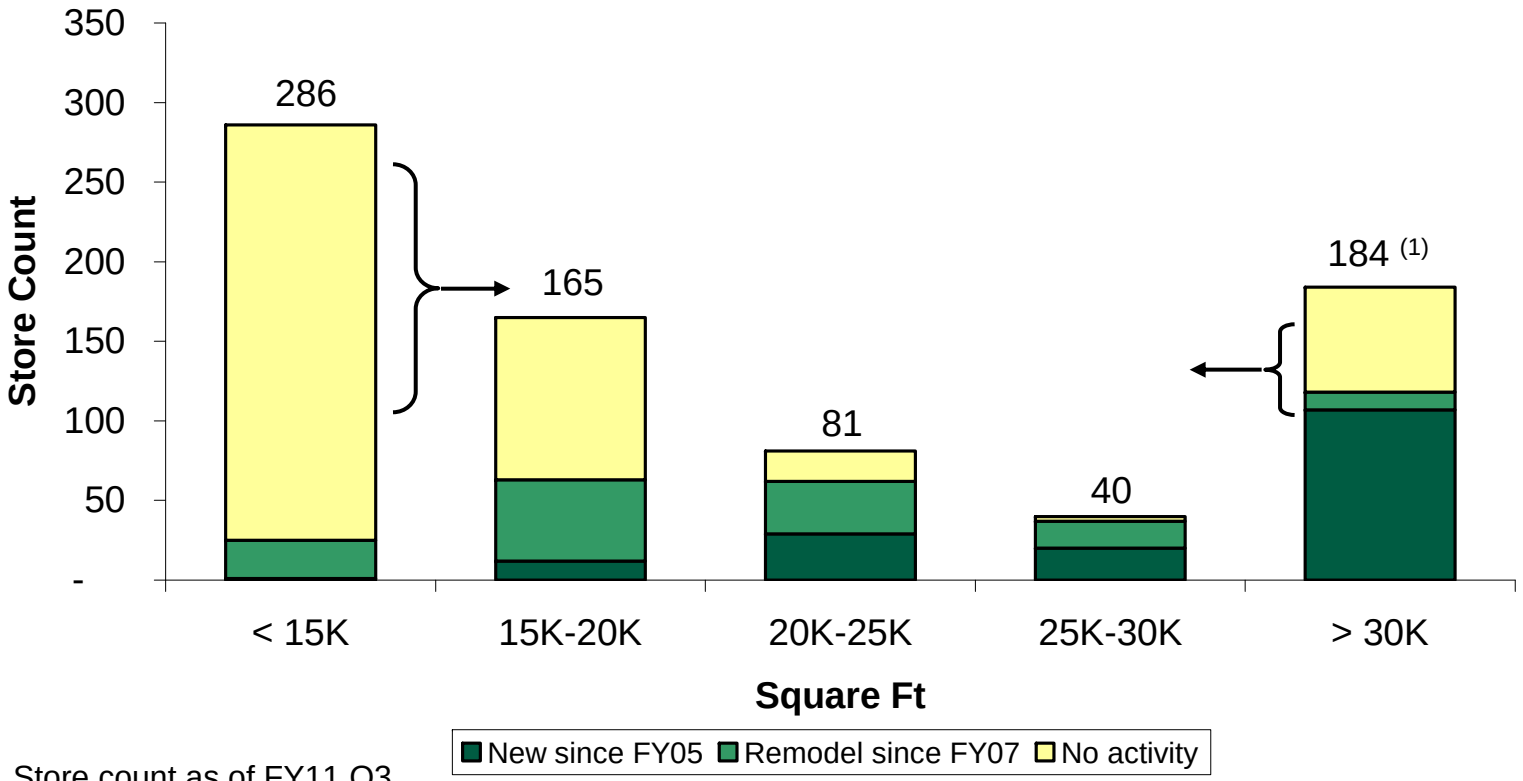
- **Smaller prototype stores**
  - +/- 22,000 square foot standard prototype
  - +/- 15,000 square foot small market or urban prototype



- **Store closures of roughly 30 - 40 per year**
- **Net store growth of over 100 units by FY15**
- **Estimated 3% square footage CAGR FY11 – FY15**
- **Long term build-out opportunity for 1,000 stores**

Store Portfolio Update

- Store portfolio will continue to migrate toward 15K to 25K size



Store count as of FY11 Q3

(1) Includes 91 stores between 35K and 40K and 65 stores +40K

Accelerate Remodel Activity

- 114 small-format remodels complete thru FY11
- Remodels averaging incremental 10% same-store sales lift and generating strong returns
- Opportunity for over 250 remodels in next four years
  - Approximately 60 remodels planned for FY12
    - 40 small-format remodels
    - 10 large-format remodels
    - 5 small-format store expansions
    - 5 downsizing of oversized stores

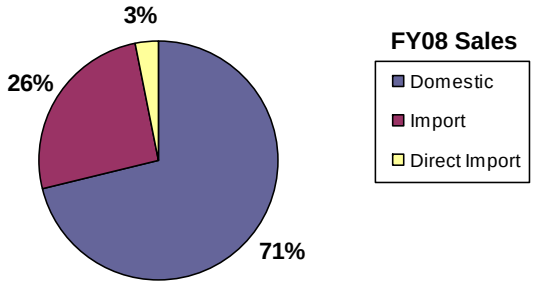
Drive Same-Store Sales

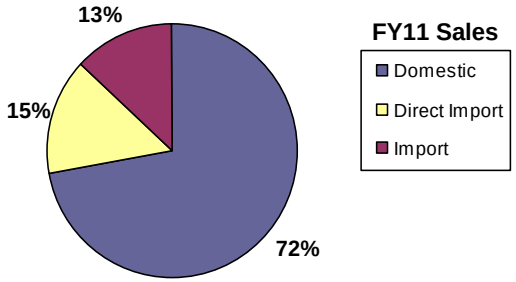
- Dynamic new craft product lines
- Enhanced in-store presentations
- Update fabric quality to match consumer demands
- Regionalized fabric assortments
- Strategic targeted marketing
- Focus on education and product demonstrations

Expand Gross Margin

Direct Sourcing Initiative

- Moving beyond high volume basic fabrics to fashion
- Moving into basic craft categories
- Direct imports to exceed half of total imports in FY11





Merchandising Technology Investments

- JDA Demand & Fulfillment – FY10
- Promotional Planning – FY12
- Pricing Optimization – FY13

Invest in Management Training

- **Management training**
  - Developed new training programs for store managers and assistants
- **Performance management**
  - New system provides on-line access to performance reviews, compensation management and succession planning
- **Mystery shoppers**
  - New secret shopper program initiated in FY11
  - Provides independent feedback on store conditions and service

Enhance Technology

Current Status

- SAP core enterprise software updated in FY08
- Point of sale hardware and software replaced in FY09
- New HR systems and labor management systems in FY09
- New replenishment system in FY10
- E-commerce platform and site updated in FY10

Future Enhancements

- IT hardware rationalization
- Merchandising systems upgrades
- HR performance management systems
- Ongoing e-commerce investment

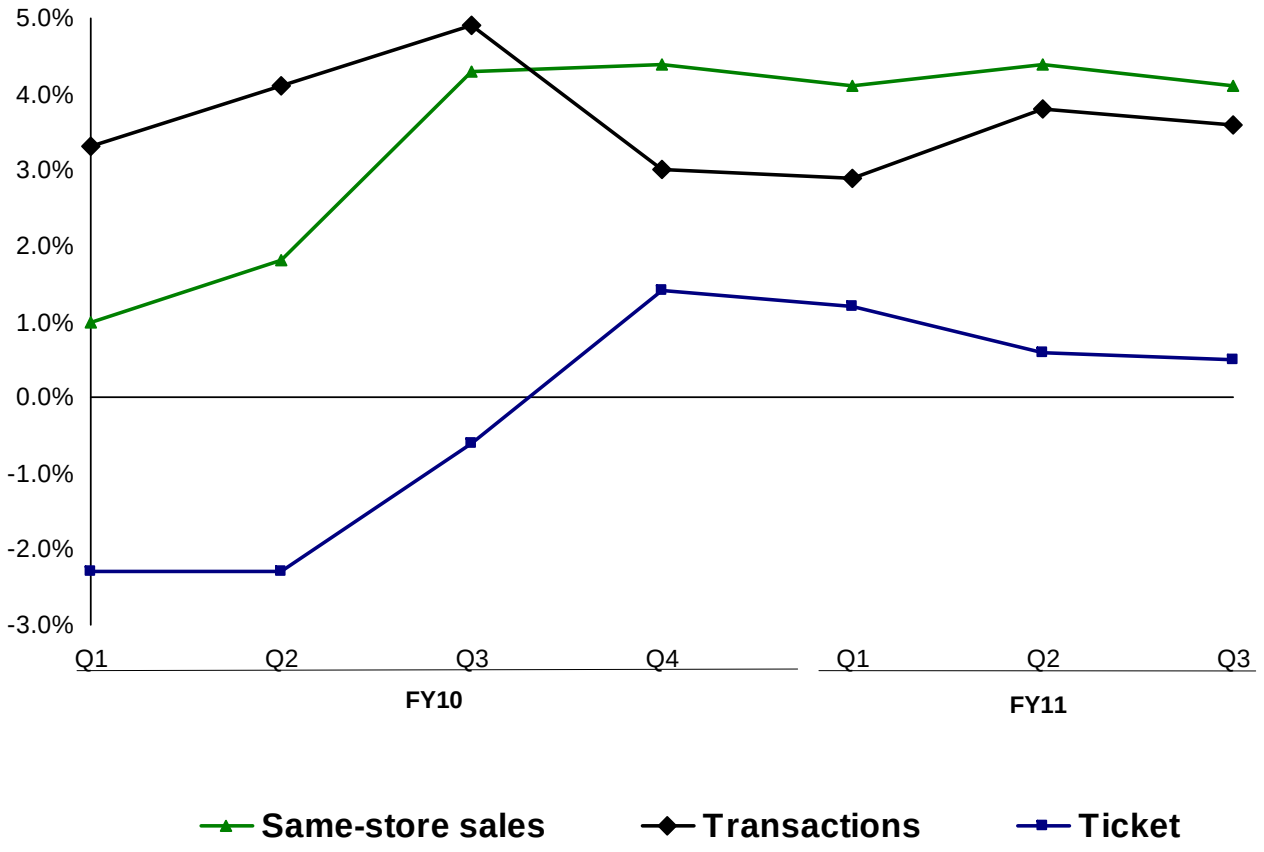
FY10 Results

	FY 10	FY 09
Sales (millions)	$1,991	$1,901
Total sales growth %	4.7%	1.2%
Same-store sales %	3.1%	0.5%
Gross Margin %	49.0%	46.4%
SG&A %	39.9%	40.8%
Operating Profit	5.7%	2.1%
EPS	$2.51	$0.86

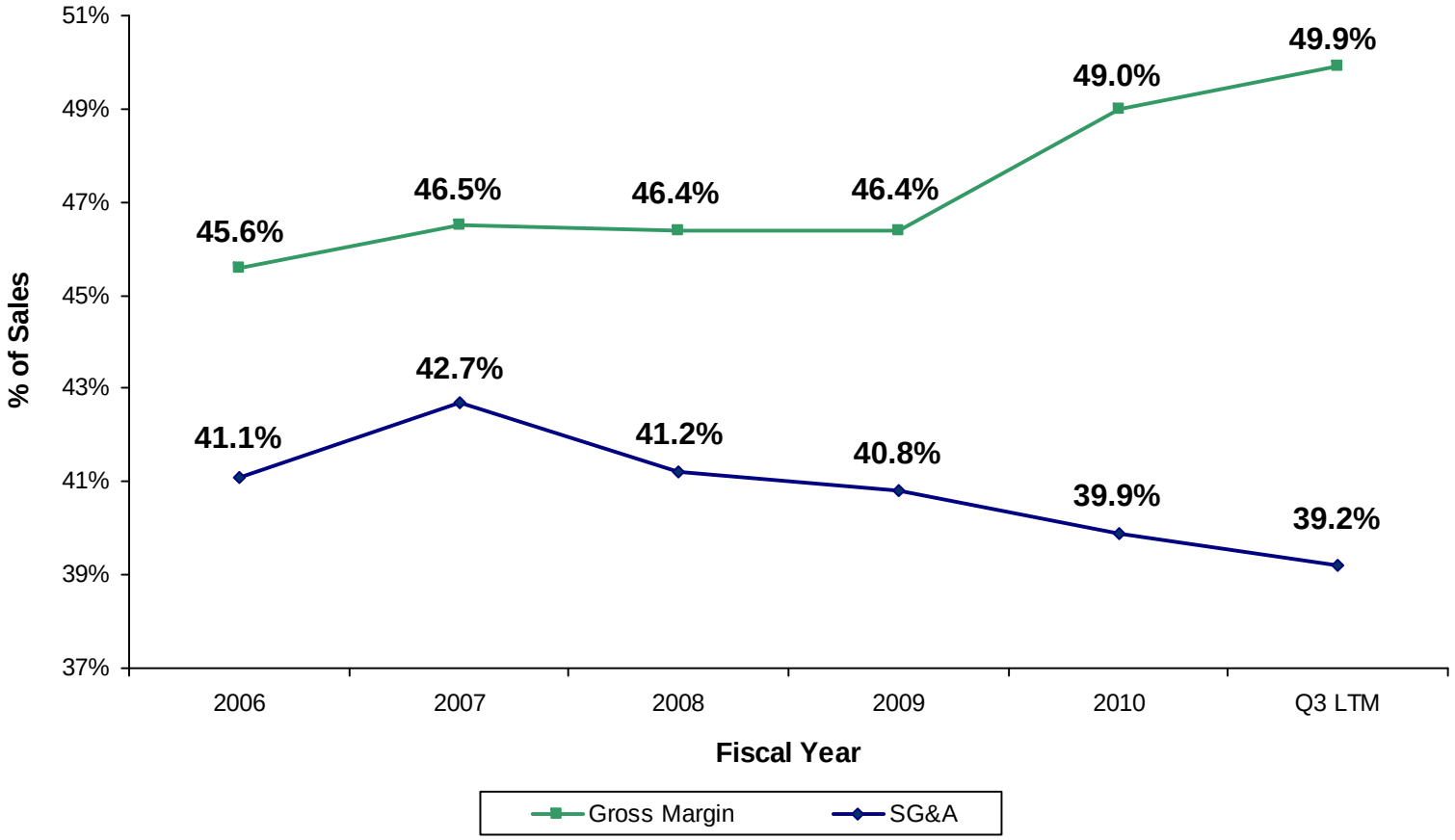
FY11 Q3 YTD Results

	FY 11	FY 10
Sales (millions)	**$1,455**	**$1,389**
Total sales growth %	**4.8%**	**4.5%**
Same-store sales %	**4.2%**	**2.5%**
Gross Margin %	**50.9%**	**49.6%**
SG&A %	**41.2%**	**42.2%**
Operating Profit	**6.1%**	**3.8%**
EPS	**$1.95**	**$1.12**

Positive Sales Trends

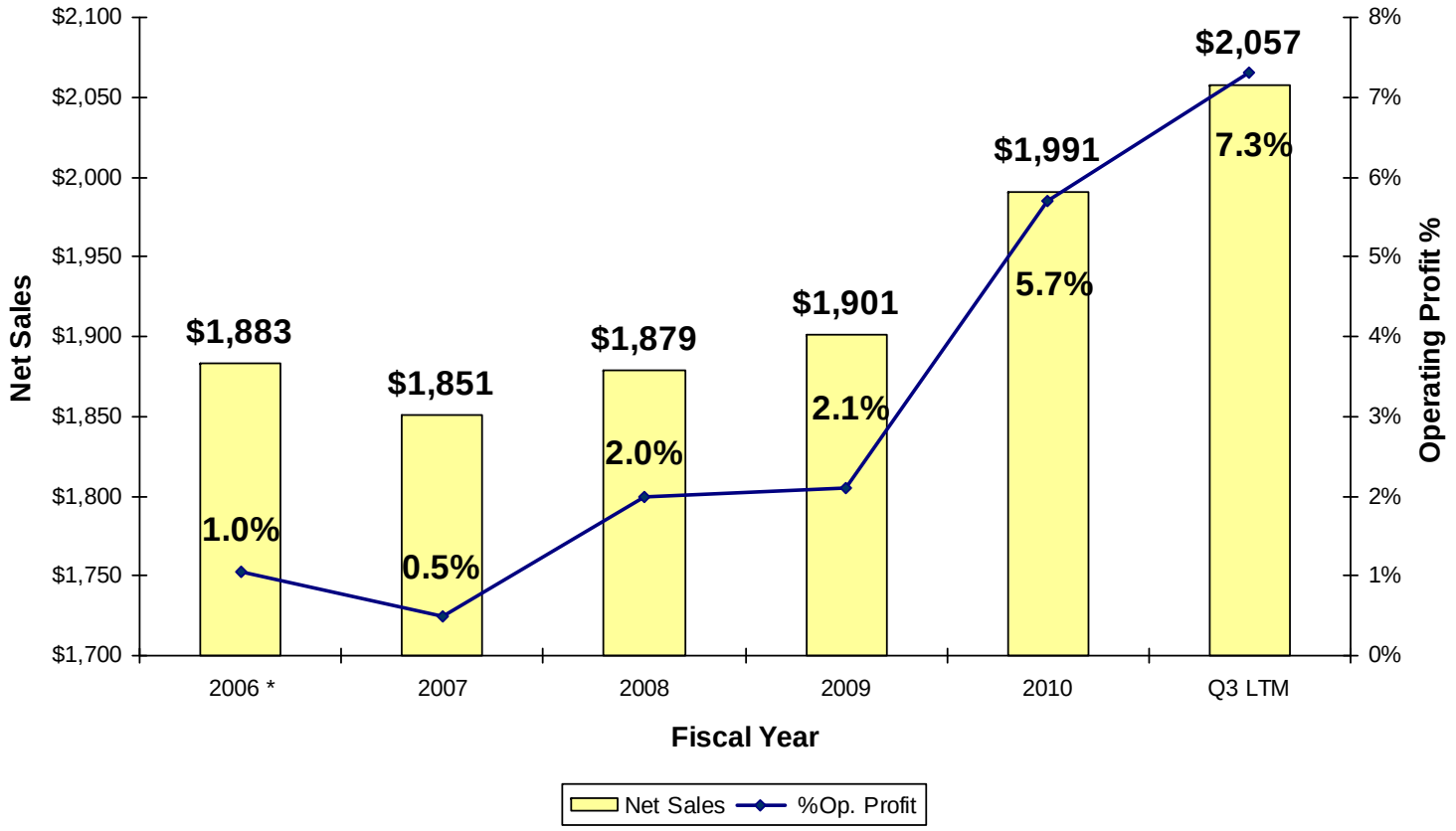


Gross Margin and SG&A



Operating Profit

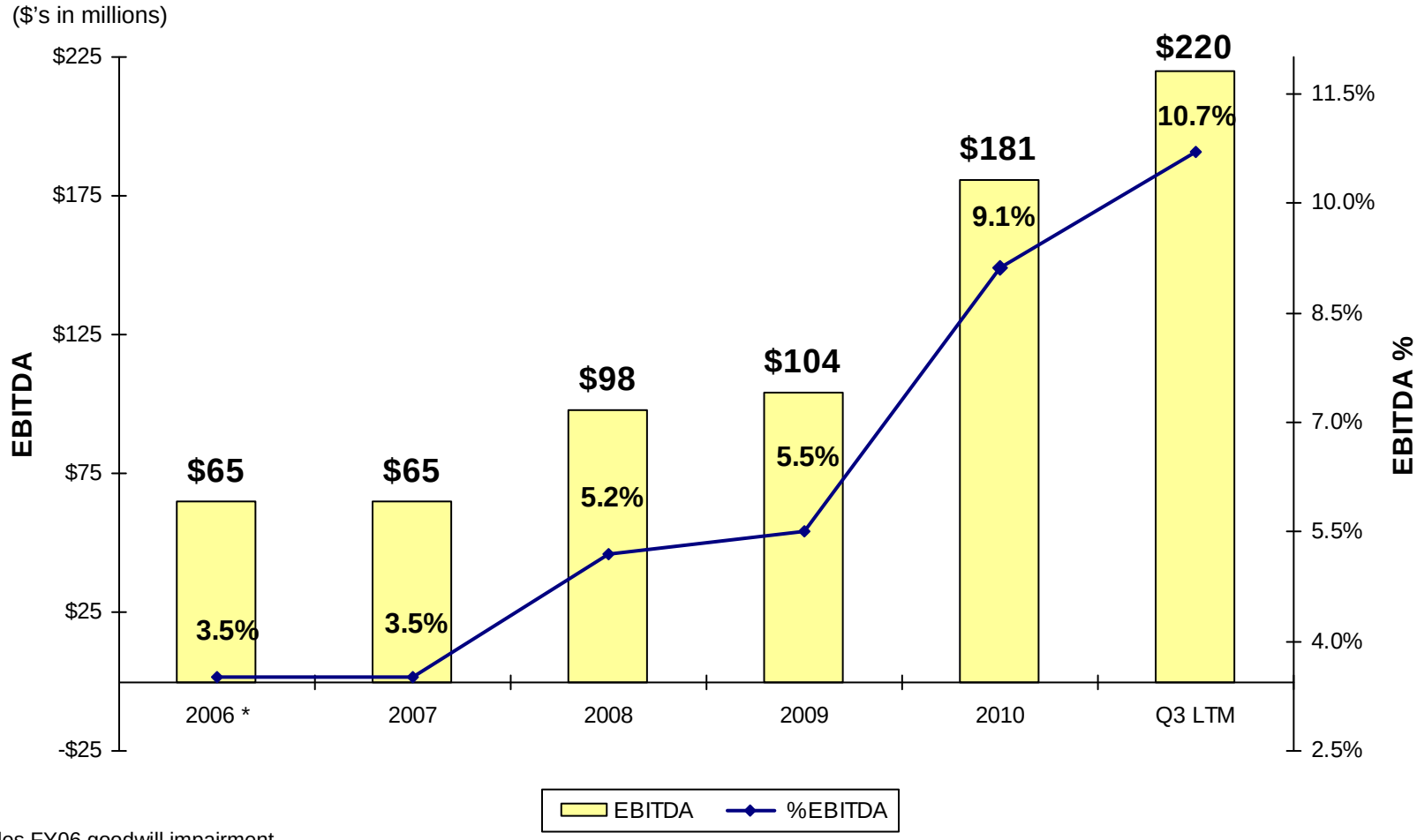
($'s in millions)



* Excluding FY06 goodwill impairment

Operating Profit defined as profit before interest and taxes

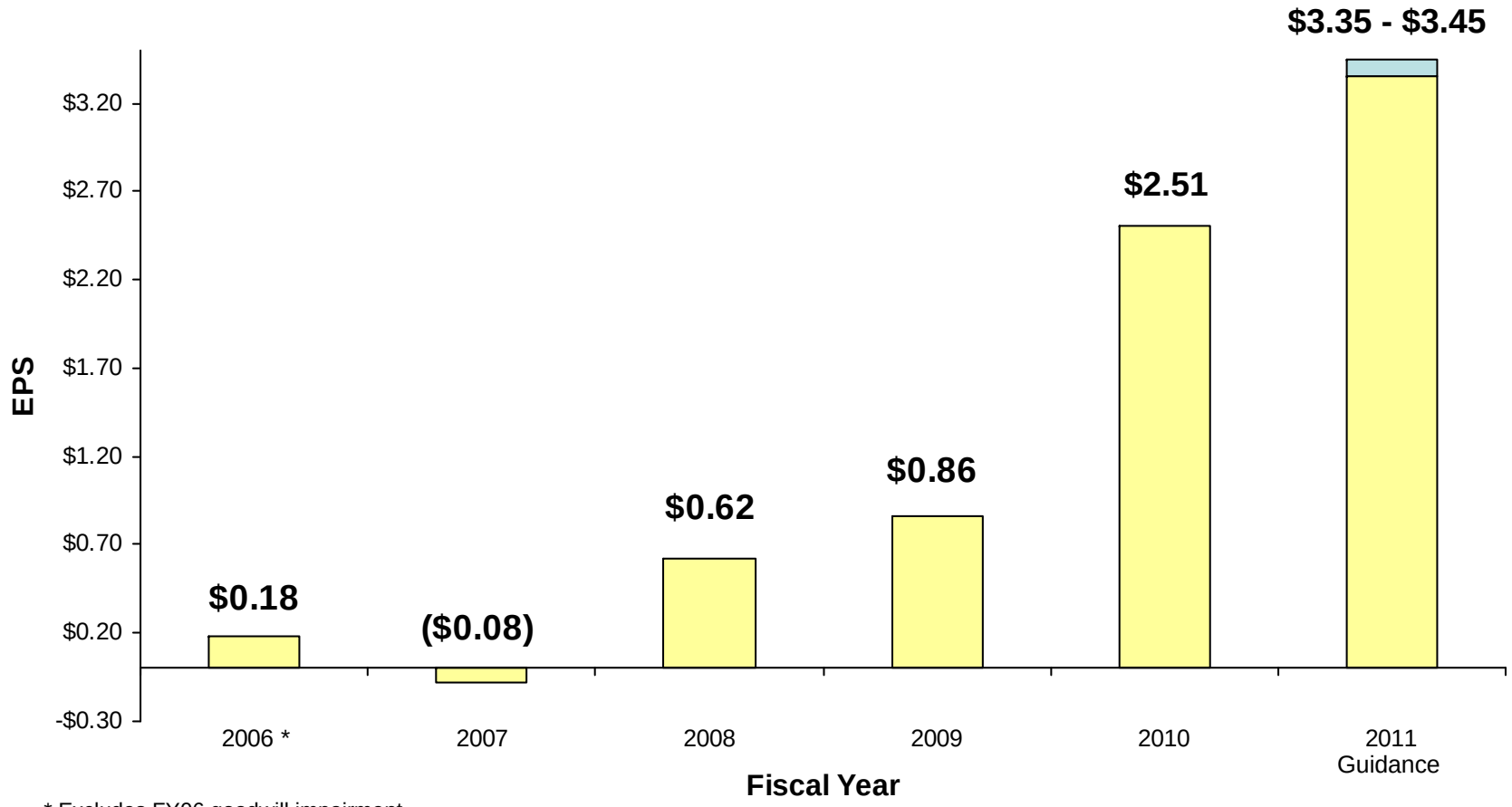
EBITDA



* Excludes FY06 goodwill impairment

EBITDA defined as earnings before interest, taxes, depreciation and stock based compensation

Earnings Per Share



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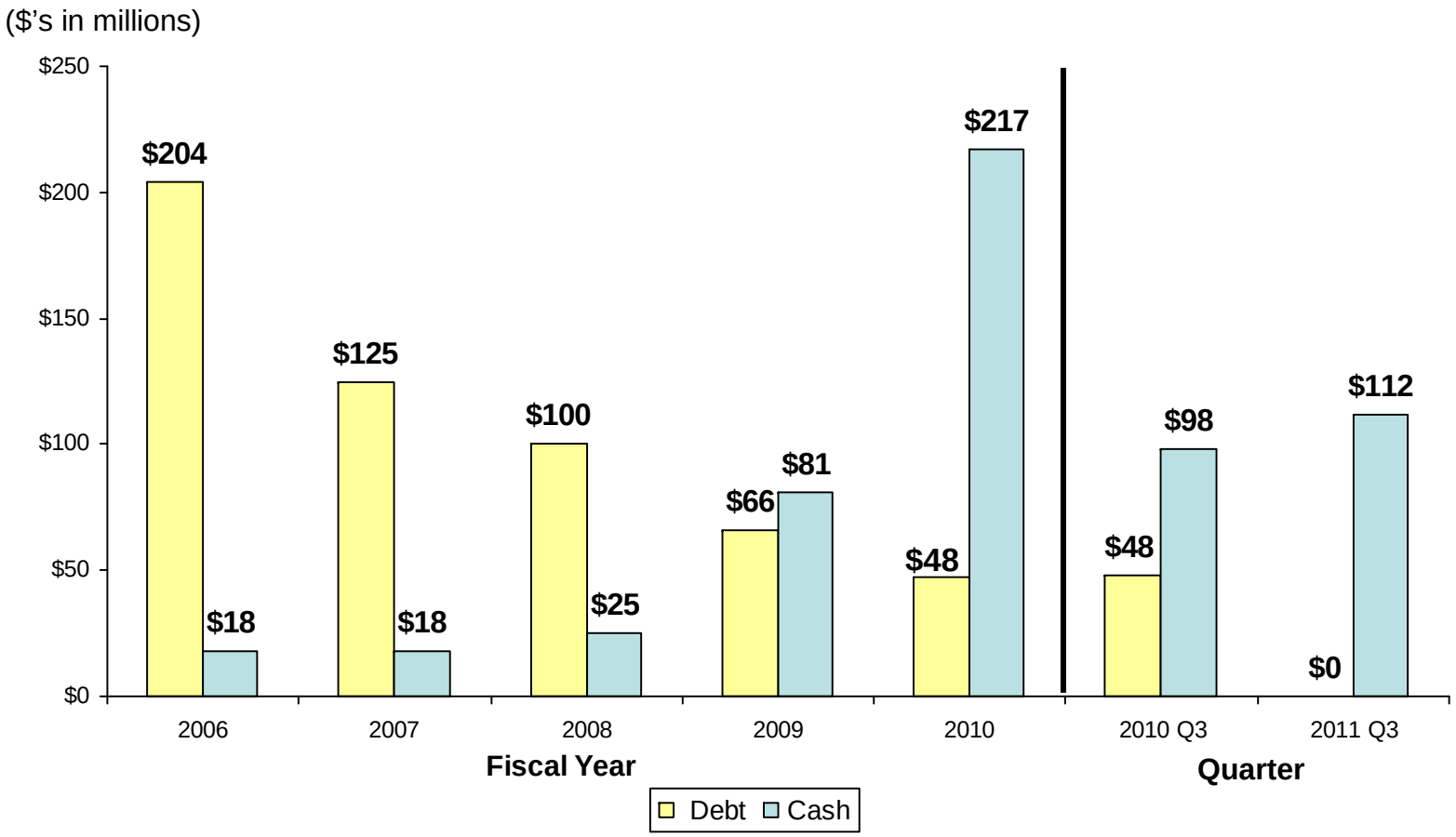
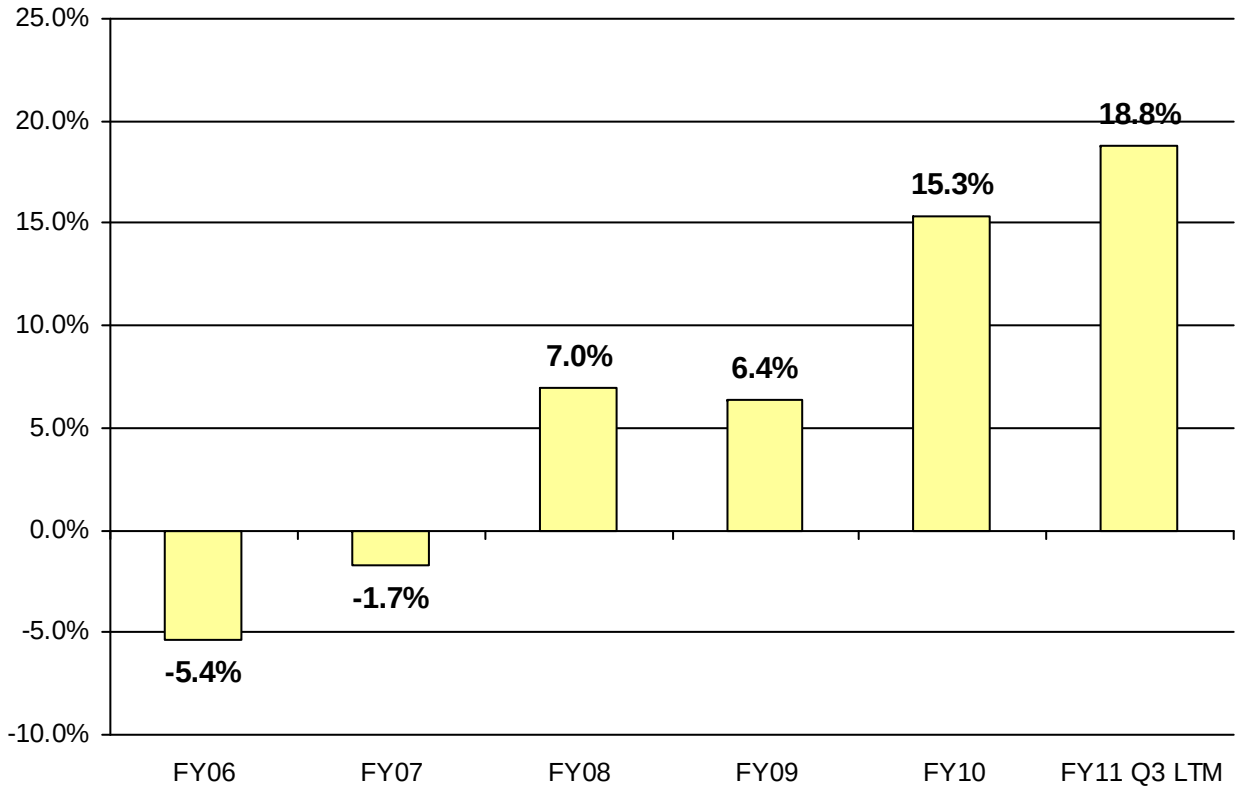
Balance Sheet



Return on Invested Capital



ROIC = (Operating Profit – Cash Taxes) / (Avg. Total Assets – Avg. Cash – Avg. Current Liabilities)

Compelling Store Economics

- Proforma sales represent minimum required to achieve 16% IRR
- FY11 openings exceeding proforma targets by a double digit percentage

	Existing Stores		22,000 Sf Pro Forma		15,000 Sf Pro Forma	
	Large Format	Small Format	Yr 1	Yr 4	Yr 1	Yr 4
Size	36,509	14,708	22,000		15,000	
Sales (thousands)	$ 4,706	$ 1,699	$ 2,622	$ 2,865	$ 1,647	$ 1,800
Sales / Sq Foot	$ 129	$ 115	$ 119	$ 130	$ 110	$ 120
Cash Flow (a)	$ 663	$ 268	$ 341	$ 423	$ 254	$ 303
Cash Flow %	14.1%	15.8%	13.0%	14.8%	15.4%	16.8%

Store Investment, net new:		
Capital, net (b)	$ 592	$ 531
Inventory, net (c)	$ 466	$ 288
Pre-opening costs	$ 160	$ 130
Total	$ 1,218	$ 949

(a) Excludes depreciation, corporate margin items, distribution center expenses and corporate administrative expenses

(b) Net of landlord allowances

(c) Net of Accounts Payable support

Long-Term Outlook

- Same-store sales growth of 2% to 4% per year
- Annual improvement in gross margin rate
- Annual improvement in SG&A leverage
- Open approximately 290 stores over next five years
- Remodel approximately 300 stores over next five years

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Thank You